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## Canada

### Agricultural Situation

### This Week in Canadian Agriculture, Issue 24 2003

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**Report Highlights:**

CFIA Releases Report Concluding BSE Investigation \* Canada Receives Final BSE Report From International Team Of Experts \* Farmers Plant More Canola But Less Spring Wheat, Oats And Barley \* CWB President Challenges Critics, Calls For Reduced Subsidies At IGC \* CWB Sues ConAgra Over Exporting 'Conspiracy' \* Monsanto Restates Pledge To Meet All Roundup Ready Wheat Commitments \* Saskatchewan Topsoil Moisture Conditions Deteriorate \* Weyerhaeuser To Temporarily Shut Down Five Mills \* Canada, Europe Uncork Wine Pact \* East Coast Cod-Farm Opportunities Touted By Fisheries And Oceans Canada \* Potato Packers Demand Strict Requirements On Raw Product \* Health Canada Adopts New Regulations For Natural Health Products \* Food Overtakes Autos As Largest Wholesale Sector In 2001

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Ottawa [CA1]  
[CA]

This Week in Canadian Agriculture is a weekly review of Canadian agricultural industry developments of interest to the U.S. agricultural community. The issues summarized in this report cover a wide range of subject matter obtained from Canadian press reports, government press releases, and host country agricultural officials and representatives.

*Disclaimer:* Any press report summaries in this report are included to bring U.S. readership closer to the pulse of Canadian developments in agriculture. In no way do the views and opinions of these sources reflect USDA's, the U.S. Embassy's, or any other U.S. Government agency's point of view or official policy.

**CFIA RELEASES REPORT CONCLUDING BSE INVESTIGATION:** On July 2, the Canadian Food Inspection Agency (CFIA), at the end of its investigation into a single case of Bovine Spongiform Encephalopathy (BSE), commonly known as mad cow disease, in a cow from an Alberta farm, released its concluding report. The report provides a detailed, scientific examination of Canada's BSE investigation and the significance of a single case of BSE in Canada. The findings of the report have been presented to the international panel of animal disease and human health experts who examined Canada's BSE investigation, as well as officials from the United States, Japan and Mexico. The CFIA has also shared the report with the provinces and industry. The report provides a detailed, scientific examination of Canada's BSE investigation and the significance of this single case of BSE in Canada. The findings of the report have been presented to the international panel of animal disease and human health experts who examined Canada's BSE investigation, as well as officials from the U.S., Japan and Mexico. The report may be viewed at:  
<http://www.inspection.gc.ca/english/anima/heasan/disemala/bseesb/evale.shtml>

**CANADA RECEIVES FINAL BSE REPORT FROM INTERNATIONAL TEAM OF EXPERTS:** Canada has received and released the report of the International Team that evaluated Canada's investigation into the single case of BSE detected in an Alberta cow. The report recommends actions in a number of areas to further enhance safeguards to human and animal health. The most immediate of these include putting in place a national requirement that certain animal tissues – known as Specified Risk Materials (SRMs) - be removed from products destined for consumption. Other recommended measures include a review of animal feed restrictions; strengthened tracking and tracing systems; improved disease testing and surveillance; and efforts to improve disease awareness among producers, veterinarians and the public. The Government of Canada will be responding quickly to the recommendations of the International Team, in close consultation with provinces, territories and Canadian industry. Furthermore, close consultations with US officials and other trading partners on moving ahead will be essential given the integrated North American market. The full text of the report is posted on the Canadian Food Inspection Agency (CFIA) website at:  
<http://www.inspection.gc.ca/english/anima/heasan/disemala/bseesb/internate.shtml>

**FARMERS PLANT MORE CANOLA BUT LESS SPRING WHEAT, OATS AND BARLEY:** According to Statistics Canada's June 26 *Preliminary Estimates of Principal Field Crop Areas, 2003*, the 2003 planting season in western Canada began under relatively favorable conditions. Generally adequate moisture levels and average planting dates combined to give western crop farmers a good overall start for 2003. Western Canadian canola producers increased their plantings this year by 21% or 2.0 million acres to 11.6 million acres, slightly below the five-year average of 11.7 million acres. Substantial increases were reported in all three western provinces; the largest increase was in Saskatchewan, where a 30% rise in area seeded to canola was reported. Farmers estimated their spring wheat plantings in 2003 at 18.1 million acres, a decline of 4%, or 751,000 acres, from 2002. This area is well below the five-year average of 19.5 million acres. Alberta farmers reported the largest decline at 549,000 acres (-10%); Manitoba farmers reported a decline of 5%, while Saskatchewan area was almost unchanged, with a drop of 0.6%. In contrast to the spring wheat decline,

the area seeded to durum remained virtually unchanged this year at 6.1 million acres, versus the five-year average area of 5.9 million acres. The acreage seeded to barley in western Canada fell by 110,000 acres, or just 0.9%, to 11.7 million acres. The five-year average area is 11.0 million acres. The demand for feed grains remains uncertain. Western farmers say they will plant 5.2 million acres of oats this year, down 6% from 2002. Corn producers reported that they intend to plant 3% less grain corn, or 3.1 million acres, down slightly from the record set in 2002. For additional information, visit:

<http://www.statcan.ca/Daily/English/030626/d030626a.htm>

#### CWB PRESIDENT CHALLENGES CRITICS, CALLS FOR REDUCED SUBSIDIES AT IGC:

Canadian Wheat Board (CWB) President and CEO Adrian Measner called for "major action" to reduce trade-distorting agricultural subsidies and strongly defended the CWB's trading practices during a June 25 speech to the International Grains Council (IGC) in London, England. Measner took on the CWB's critics directly. "The CWB is one of the most studied, investigated, challenged and scrutinized trading entities in the world," he said. "There really isn't much about the CWB that isn't known. Despite what the Americans would have you believe, the CWB is by far the most transparent participant in the global grain trade." Measner blamed politics for the repeated attacks on the CWB, specifically pointing the finger at American politicians in the northern tier states. "Canada has been set up as a convenient scapegoat for declines in wheat acreage and production that are really caused by global market factors, U.S. domestic support programs and wheat disease problems." There have been 12 American challenges of the CWB, Measner pointed out, nine of which have been unsuccessful and three that are ongoing, namely the U.S. anti-dumping and countervailing duty cases and a WTO dispute settlement case. "We are confident of being exonerated in all three," he said, "but in the meantime, millions of dollars of farmers' money are being spent to defend these groundless charges." Instead of targeting the CWB, Measner stressed that the U.S. should direct its attention to farm subsidies, both there and in the European Union, that are creating an uneven playing field in agricultural trade.

**CWB SUES CONAGRA OVER EXPORTING 'CONSPIRACY':** The June 21 edition of the *Winnipeg Free Press* reported that the Canadian Wheat Board (CWB) has filed a civil suit against Winnipeg-based ConAgra Limited, nine related companies and a Quebec shipping firm alleging they conspired since 1997 to cheat it out of an unspecified amount of money by illegally exporting Western Canadian grain to the United States. The statement of claim, which was filed earlier this month in the Manitoba Court of Queen's Bench, seeks unspecified general, special, aggravated and punitive damages against 11 defendants. It also asks for an accounting of the Western Canadian grain they sold as part of the alleged conspiracy, a court order forcing them to hand over all the revenues received from those transactions and pre- and post-judgment interest and costs. A spokesman for Omaha, Nebraska-based ConAgra Foods, Inc., which is one of the other defendants named in the lawsuit, in a telephone interview said "we believe the allegations in their suit are meritless and we will defend ourselves accordingly."

In a related June 30 article from *Agriweek*, it was reported that the CWB case is actually a continuation of an action several years ago against the Quebec-based grain broker LeBlanc & Lafrance Inc. Canada Customs charged the company with \$2.9 million in fines for allegedly participating in the same trade. It has denied all wrongdoing and the Customs fine is under court appeal. With this action, the CWB has revived the case and attached ConAgra as a conspirator. The CWB filed the lawsuit in Manitoba Court of Queen's Bench June 5; ConAgra was only served the papers June 23. The suit seeks recovery of the entire value of the grain (27,000 tonnes) allegedly exported, plus punitive, special and other damages. Word is that the CWB originally thought of criminal prosecution against ConAgra officials and possibly others, but (Canadian federal government) crown lawyers declined on grounds of insufficient evidence.

**MONSANTO RESTATES PLEDGE TO MEET ALL ROUNDUP READY WHEAT COMMITMENTS:** The June 25 edition of the University of Guelph's *AgNet* reported that Monsanto Canada has informed the Canadian Wheat Board (CWB) that it plans to pursue its application for a food, feed and environmental safety review of Roundup Ready wheat. In its formal written response to the CWB, dated June 25, 2003, Monsanto Canada president and general manager, Peter Turner said regulatory review is a very important step to building consumer confidence in the safety of biotech wheat in the food supply. He added that it is responsible and appropriate for Monsanto Canada to ask Canadian regulatory agencies - as well as regulatory agencies in other countries around the world - to conduct a comprehensive safety assessment of Roundup Ready wheat. "Successfully completing all stages of the regulatory review process will send an important message to our customers around the world that this product has been comprehensively reviewed and is deemed safe for food, feed and environmental release," wrote Turner. "We owe this to our customers." Monsanto also noted that regulatory approval is only the first step of several commitments that must be met before it will commercialize Roundup Ready spring wheat. Market acceptance, the establishment of appropriate thresholds, segregation and agronomic stewardship issues, in addition to regulatory approvals in Canada, the U.S. and Japan, must also be adequately addressed before Monsanto will offer commercial seed to farmers. The CWB has threatened legal action against Monsanto (see GAIN report CA3036) to stop it from receiving approval.

**CWB VOWS TO CONTINUE FIGHT AGAINST GM WHEAT:** The June 26 edition of the *Winnipeg Free Press* reported that the Canadian Wheat Board (CWB) said it wouldn't give up its fight to stop genetically modified wheat from hitting the market. A CWB spokesman yesterday said the agency is disappointed with Monsanto Canada's decision to pursue its plans to have its Roundup Ready wheat undergo a federal environmental safety assessment. Patty Rosher, a senior program manager with the CWB, said Monsanto is jeopardizing wheat farmers' access to lucrative markets that oppose genetically modified products. "We are very disappointed with Monsanto's decision to go ahead with their application," Rosher said.

**SASKATCHEWAN TOPSOIL MOISTURE CONDITIONS DETERIORATE:** A hot, windy week took its toll on crops, according to Saskatchewan Agriculture, Food and Rural Revitalization's June 22 crop report. Topsoil moisture conditions on crop land deteriorated during the past week except in the northern grainbelt. The hardest hit area was the southeastern part of the grainbelt. Provincially, 60% of reporters rate cropland topsoil moisture as adequate and 47% rate hay and pasture land topsoil moisture as adequate. Some areas did receive moisture from thundershowers that went through the province on the weekend. In general, earlier seeded crops are looking much better than later seeded crops. Across the province as a whole, crop conditions are reported as good to excellent for at least 60% of all crops with the exception of canola. Pasture conditions have deteriorated since the end of May. 49% of reporters rate pasture in their area in good to excellent condition, compared with 75% at the end of May. Livestock water supplies are also starting to suffer a bit, though 95% of reporters say they have adequate supplies at this time. Haying operations are just getting underway with four percent of the 2003 hay crop cut and one percent baled or silaged. Activity will become more general in the next week or so. The main sources of crop damage during the past week were insects (grasshoppers, flea beetles, cut worms), drought, and wind.

**WEYERHAEUSER TO TEMPORARILY SHUT DOWN FIVE MILLS:** According to a June 24 article from the *Globe and Mail*, Weyerhaeuser Co. said that "poor market conditions" will force it to temporarily halt production at five British Columbia Crown timberlands operations and five sawmills next month. The Washington-based forestry giant said the operations and sawmills, all located on the B.C. coast, will take varying periods of downtime in July. The slowdown will affect 2,200 of Weyerhaeuser's coastal workers. "We kept our mills and

timberlands working as long as possible, but difficult markets are forcing us to take this action to balance production with demand," said Craig Neeser, Weyerhaeuser's vice-president for British Columbia. "The factors working against our coastal operations, include weak market demand, falling prices resulting from a general oversupply of lumber, high costs associated with operating on the B.C. Coast, softwood duties, and a rapidly rising Canadian dollar." The five timberlands operations on the coast located on West Island, North Island, Stillwater, Port McNeill, and Queen Charlotte Islands, will be down for the month of July. Of the five affected mills, Somass and Island Phoenix Division will be down for four weeks, Alberni Pacific Division for three weeks, New Westminster for two weeks and Chemainus for one week, the company said.

CANADA, EUROPE UNCORK WINE PACT: According to the June 24 edition of the *Globe and Mail*, Canada and the European Union said they have capped a deal to end the generic use of European wine names — including Chablis, Bordeaux and Champagne — in Canada. The pact — aimed at ending what the EU described as recent "trade frictions" — would see the two sides commit to protecting each other's geographical indications for wines and spirits. The EU has been pressing for action around the globe to protect the names of wines produced in specific regions of member countries such as Burgundy in France or Chianti in Italy. Under the terms of the agreement, the so-called generic classification in Canada of 21 EU wine names will be ended in three phases. The use of the names Chablis, Champagne, Port and Porto and Sherry will stop by December 31, 2013. Bourgogne and Burgundy, Rhin and Rhine, Sauterne and Sauternes will cease to be used generically by Dec. 31, 2008. The use of the names Bordeaux, Chianti, Claret, Madeira, Malaga, Marsala, Medoc and Médoc, and Mosel and Moselle will immediately cease once the agreement is put into force. As well, an end to the generic status of two spirits — Grappa and Ouzo — will be phased out within two years in this country. In exchange, the EU will protect the name Rye Whisky as "a distinctive product of Canada."

EAST COAST COD-FARM OPPORTUNITIES TOUTED BY FISHERIES AND OCEANS CANADA: The June 25 *Globe and Mail* reported that the Canadian fisheries department is quietly circulating a plan that could see Newfoundland and Labrador cod farmers harvesting almost as many fish from pens as fishermen hauled from the ocean before the stock collapsed. If as much as \$102-million is invested in cod hatcheries and growing facilities, by the year 2017 the Canadian cod aquaculture industry could produce as much as 128,000 metric tonnes of fish with a value of \$545-million, according to a report done for the fisheries department by Rogers Consulting of Halifax. In 1992, prior to the declaration of a fishing moratorium, the northern cod catch was set at 120,000 tonnes for the year. The report, completed last year, says that much of the activity will likely take place in Newfoundland and Labrador. The report says that \$18-million will be needed to establish six hatcheries. Then another \$20-million will have to be invested in 40 cod nurseries — pens where cod will grow from 10 grams to 60 grams. The final stage is the creation of 120 ocean cod farms at a cost of \$64-million. Jonathan Moir, who assisted in writing the report, is working on a plan that would see the Canadian government provide loans for as much as 85% of the costs of establishing the cod-farming facilities. Private companies would provide the operating capital.

POTATO PACKERS DEMAND STRICT REQUIREMENTS ON RAW PRODUCT: The June 30 *Charlottetown Guardian* reported that Prince Edward Island's (PEI) major potato packing operations have joined forces to demand stricter requirements — particularly with chemical compounds -- on all raw product delivered to their doors this year by PEI potato growers. Citing the soon to be implemented U.S. *Bioterrorism Act* and increased chemical residue testing expected to be conducted by U.S. border personnel later this year, packers are taking no chances being stuck with rejected product and are warning potato growers of the precautions. The story adds that it's the biggest change in grower-packer relations in

decades, as packers contend that food safety, customer demands and new legislation in the U.S. will change the way potatoes are packed. Growers are being advised that they are responsible if too much pesticide application or chemical compound results in the rejection of their crop at the border. PEI exports thousands of pounds of potatoes to the U.S. for consumer purchases. The letter urges that all partners in potato production and the distribution system work together to ensure that a steady flow of P.E.I. potatoes continues to move to all markets.

**HEALTH CANADA ADOPTS NEW REGULATIONS FOR NATURAL HEALTH PRODUCTS:** The Canadian government announced with the publication of the "Natural Health Products Regulations in the *Canada Gazette, Part II* on June 18, a system of ingredient labeling, product warnings, quality and safety assurances, and product licenses will be phased in over the next two to six years for all natural health products (NHPs) sold in Canada. Previously, natural health products (NHPs) have been sold as either drugs or foods under the *Food and Drugs Act and Regulations*, since there was no other category in which they could be classified. The new Regulations call for improved labeling, good manufacturing practices, product and site licensing, and provisions for a full range of health claims that will be supported by evidence. The products that fall within the new Regulations include herbal remedies, homeopathic medicines, vitamins, minerals, traditional medicines, probiotics, amino acids and essential fatty acids (such as Omega-3). There will be a transition period for the Regulations that will span from 2 to 6 years-2 years for site licensing and 6 years for products with drug identification numbers (DINs)-to allow manufacturers, labelers, packagers, importers and distributors time to meet the new requirements. During the phase-in period, Health Canada will provide support to industry, and a public education.

**FOOD OVERTAKES AUTOS AS LARGEST WHOLESALE SECTOR IN 2001:** A good year for grocers and a poor year for car dealers pushed the food wholesale sector into first place among Canada's 17 wholesale trade groups in 2001. According to the *Wholesale Trade Report 2001*, released in late June by Statistics Canada, operating revenues for the food products trade group rose 8.0% from the previous year to \$66.5 billion while those for the motor vehicles group declined 2.0% to \$64.5 million. While food wholesalers lag the average for all wholesalers in profitability their operating profits grew at a faster pace than all other trade groups except for those of pharmaceuticals and apparel. In 2001, operating profits for food products wholesalers rose 11.3% to \$3.1 billion while the average for all trade groups fell 6.4%.

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